SGI CANADA Insurance Services Ltd.

2004

ANNUAL REPORT

105-04335/

Responsibility for Financial Statements

The consolidated financial statements are the responsibility of management and have been prepared in conformity with accounting principles generally accepted in Canada. In the opinion of management, the consolidated financial statements fairly reflect the financial position, results of operations and cash flows of SGI CANADA Insurance Services Ltd. (the Corporation) within reasonable limits of materiality.

Preparation of financial information is an integral part of management's broader responsibilities for the ongoing operations of the Corporation. Management maintains an extensive system of internal accounting controls to ensure that transactions are accurately recorded on a timely basis, are properly approved and result in reliable financial statements. The adequacy and operation of the control systems are monitored on an ongoing basis by an internal audit department.

An actuary has been appointed by the Corporation to carry out a valuation of the policy liabilities and to issue a report thereon to the shareholders and regulatory authorities. The valuation is carried out in accordance with accepted actuarial practice and common Canadian insurance regulatory requirements. The policy liabilities consist of a provision for unpaid claim and adjustment expenses on the earned portion of policies and of future obligations on the unearned portion of policies. In performing this valuation, the actuary makes assumptions as to future rates of claim frequency and severity, inflation, reinsurance recoveries, expenses and other contingencies, taking into consideration the circumstances of the Corporation and the nature of the insurance policies. The actuary also makes use of management information provided by the Corporation and the work of the external auditors in verifying the data used in the valuation.

The consolidated financial statements have been examined and approved by the Board of Directors. An Audit Committee, composed of members of the Board of Directors, meets periodically with financial officers of the Corporation and the external auditors. These external auditors have free access to this Committee, without management present, to discuss the results of their audit work and their opinion on the adequacy of internal financial controls and the quality of financial reporting.

KPMG LLP have been appointed external auditors. Their responsibility is to report to the shareholders and regulatory authorities regarding the fairness of presentation of the Corporation's financial position and results of operations as shown in the consolidated financial statements. In carrying out their audit, the external auditors also make use of the work of the actuary and his report on the policy liabilities. The Auditors' Report outlines the scope of their examination and their opinion.

Jon Schubert
President

Don Thompson
Vice President
Finance

February 23, 2005

Actuary's Report

To the Shareholders of SGI CANADA Insurance Services Ltd.

I have valued the policy liabilities of SGI CANADA Insurance Services Ltd. for its consolidated statement of financial position at December 31, 2004 and their change in the consolidated statement of operations and deficit for the year then ended in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods.

In my opinion, the amount of policy liabilities makes appropriate provision for all policyholder obligations, and the consolidated financial statements fairly present the results of the valuation.

Richard Gauthier
Fellow, Canadian Institute of Actuaries

February 23, 2005

Auditors' Report

To the Shareholders of SGI CANADA Insurance Services Ltd.

We have audited the consolidated statement of financial position of SGI CANADA Insurance Services Ltd. as at December 31, 2004 and the consolidated statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Regina, Canada

February 23, 2005

Consolidated Statement of Financial Position

December 31	2004	2003
	(thousands of $)	
Assets		
Cash and cash equivalents (note 3)	$ 7,891	$ 7,913
Accounts receivable (note 4)	18,566	19,206
Deferred policy acquisition costs	4,591	4,301
Reinsurers' share of unearned premiums (note 7)	2,069	1,929
Future income taxes (note 10)	5,253	1,180
Goodwill	481	481
Investments (note 5)	87,700	73,368
Unpaid claims recoverable from reinsurers (notes 7 & 8)	31,915	20,508
Property, plant and equipment (note 6)	56	82
	$ 158,522	$ 128,968
Liabilities		
Accounts payable	$ 3,210	$ 2,808
Premium taxes payable	444	644
Future income taxes (note 10)	5,182	1,007
Amounts due to reinsurers (note 7)	2,785	2,657
Unearned reinsurance commissions	150	143
Unearned premiums	22,190	21,468
Provision for unpaid claims (note 8)	98,671	77,475
	132,632	106,202
Non-controlling interest	1,236	913
Shareholders' equity		
Share capital (note 11)	27,254	27,254
Contributed surplus	7,487	7,487
Deficit	(10,087)	(12,888)
	24,654	21,853
	$ 158,522	$ 128,968

Commitments (note 17)

(see accompanying notes)

Consolidated Statement of Operations and Deficit

year ended December 31	2004	2003
	(thousands of $)	
Gross premiums written	$ 53,582	$ 45,334
Net premiums written	$ 48,498	$ 39,164
Net premiums earned (note 7)	**$ 47,208**	$ 46,429
Claims incurred (note 7)	35,687	36,727
Commissions (note 7)	8,457	6,299
Administrative expenses (note 7)	4,534	4,373
Premium taxes (note 7)	1,774	1,690
Facility Association participation (note 15)	(1,362)	1,063
Total claims and expenses	**49,090**	50,152
Underwriting loss	**(1,882)**	(3,723)
Investment earnings (note 9)	6,223	5,801
Income before income taxes and non-controlling interest	**4,341**	2,078
Income taxes (note 10)	1,218	621
Income after income taxes and before non-controlling interest	**3,123**	1,457
Non-controlling interest	322	170
Net income	**2,801**	1,287
Deficit, beginning of year	(12,888)	(14,175)
Deficit, end of year	**$ (10,087)**	$ (12,888)

(see accompanying notes)

Consolidated Statement of Cash Flows

year ended December 31	2004	2003
	(thousands of $)	
Cash provided by (used for):		
Operating activities		
Net income	$ 2,801	$ 1,287
Non-cash items:		
Amortization	605	571
Realized gain on disposal of investments	(1,977)	(1,932)
Future income taxes	102	478
Income from investments accounted for on the equity basis	(168)	(173)
Investment writedowns	–	35
Income attributable to non-controlling interest	322	170
Change in non-cash operating items (note 12)	11,058	8,708
	12,743	9,144
Investing activities		
Purchases of investments	(139,219)	(122,672)
Proceeds on sale of investments	126,474	107,066
Purchases of property, plant and equipment	(20)	–
	(12,765)	(15,606)
Financing activities		
Contributed surplus	–	9,400
Increase (decrease) in cash and cash equivalents	**(22)**	2,938
Cash and cash equivalents, beginning of year	7,913	4,975
Cash and cash equivalents, end of year	$ 7,891	$ 7,913
Supplemental cash flow information:		
Income taxes paid	$ 313	$ 21

(see accompanying notes)

Notes to the Consolidated Financial Statements

December 31, 2004

1. STATUS OF THE CORPORATION

SGI CANADA Insurance Services Ltd. (the Corporation) was incorporated July 18, 1990 under *The Business Corporations Act of Saskatchewan*. The Corporation holds a Saskatchewan provincial insurer's licence under *The Saskatchewan Insurance Act* and is licensed to conduct business in Manitoba, Ontario and Prince Edward Island.

Saskatchewan Government Insurance (SGI CANADA) owns 100% (2003 – 91%) of the Corporation and its financial results are included in the consolidated financial statements of SGI CANADA.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Corporation are in accordance with Canadian generally accepted accounting principles. The following are considered to be significant:

Consolidation

The consolidated financial statements include the accounts of the Corporation, its 100%-owned subsidiary, Coachman Insurance Company (Coachman), and its 75%-owned subsidiary, the Insurance Company of Prince Edward Island (ICPEI). All inter-company accounts and transactions have been eliminated on consolidation.

Deferred policy acquisition costs

Premium taxes, commissions and certain underwriting and policy issuance costs are charged to expense over the terms of the insurance policies to which such costs relate. The method followed in determining the deferred policy acquisition costs limits the amount of the deferral to the amount recoverable from unearned premiums after giving consideration to investment income, as well as claim and adjustment expenses expected to be incurred as the premiums are earned.

Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on their fair values. Goodwill is allocated, as of the date of the business combination, to the Company's reporting units that are expected to benefit from the synergies of the business combination.

Goodwill is not amortized and is tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary.

The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case, the implied fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The implied fair value of goodwill is determined in the same manner, as the value of goodwill is determined in a business combination described in the preceding paragraph, using the fair value of the reporting unit as if it was the purchase price. When the carrying amount of reporting unit goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess and is presented as a separate line item in the statement of earnings before extraordinary items and discontinued operations.

Investments

Bonds and debentures are recorded at amortized cost. Treasury bills, common shares and preferred shares are recorded at cost. Dividends on common shares and preferred shares are recognized as income on their record dates. Gains and losses on the sale of investments are recognized on their trade date.

Where the Corporation has investments in shares and exercises significant influence, the investments are accounted for on the equity basis and the Corporation's investment is adjusted for its share of the investee's net earnings or losses and reduced by dividends received.

Investments are written down when there is a decline in value that is other than temporary.

Property, plant and equipment

Property, plant and equipment are recorded at cost, less accumulated amortization. Amortization is recorded on a straight-line basis, commencing in the year in which the assets are placed in service, over their estimated useful lives of three years for computer hardware and software and five years for other equipment.

Provision for unpaid claims

The provision for unpaid claims represents an estimate of the total cost of outstanding claims to the year-end date. Included in the estimate are reported claims, claims incurred but not reported and an estimate of adjustment expenses to be incurred on these claims. The estimates are necessarily subject to uncertainty and are selected from a range of possible outcomes. During the life of the claim, adjustments to the estimates are made as additional information becomes available. The change in outstanding losses plus paid losses is reported as claims incurred in the current period.

Premiums

Premiums written are taken into income over the terms of the related policies. Unearned premiums represent the portion of the policy premiums relating to the unexpired term of each policy.

Reinsurance ceded
Reinsurance premiums ceded and reinsurance recoveries on losses incurred are recorded as reductions of the respective income and expense accounts.

Unpaid claims recoverable from reinsurers, reinsurers' share of unearned premiums and unearned reinsurance commissions are estimated in a manner consistent with the method used for determining the provision for unpaid claims, unearned premiums and deferred policy acquisition costs respectively.

Income taxes
The Corporation uses the asset and liability method of accounting for income taxes. Current income taxes are recognized as estimated income taxes payable for the current year. Future income tax assets and liabilities consist of temporary differences between tax and accounting bases of assets and liabilities as well as the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized. The effect on future tax assets and liabilities of a change in tax rates is recognized as income in the period that includes the date of enactment or substantive enactment. A valuation allowance is recorded against any future income tax asset if it is more likely than not that the asset will not be realized.

Cash and cash equivalents
Cash and cash equivalents consist of cash on hand and treasury bills with a maturity of 90 days or less from the date of acquisition.

Measurement uncertainty
The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and changes in estimates are recorded in the accounting period in which they are determined. The most significant estimation process is related to the actuarial determination of the provision for unpaid claims (note 8).

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include $5,058,000 (2003 - $6,020,000) in treasury bills earning an average effective interest rate of 2.5% (2003 – 2.7%).

4. ACCOUNTS RECEIVABLE

Accounts receivable is comprised of the following:

	2004	2003
	(thousands of $)	
Financed premiums receivable	$ 7,756	$ 7,345
Facility Association receivable	4,915	4,512
Due from brokers	1,809	2,028
Due from reinsurers	1,706	2,591
Due from self-insured retentions	1,157	1,275
Accrued investment income	811	637
Other	344	224
Prepaid expenses	68	58
Investment receivable	–	536
Total accounts receivable	$ 18,566	$ 19,206

5. INVESTMENTS

The carrying value and fair value of the Corporation's investments are as follows:

	2004		2003	
	(thousands of $)			
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Short-term investments	$ 4,954	$ 4,954	$ 3,789	$ 3,789
Bonds and debentures	81,117	81, 949	67,934	69,114
Preferred shares	290	297	343	344
Canadian common shares	169	214	169	196
	86,530	87,414	72,235	73,443
Investments accounted for on the equity basis	1,170	1,170	1,133	1,133
Total investments	$ 87,700	$ 88,584	$ 73,368	$ 74,576

Details of significant terms and conditions, exposures to interest rate and credit risks of investments are as follows:

(i) Short-term investments:

Short-term investments are comprised of treasury bills with a maturity of less than one year but greater than 90 days from the date of acquisition. These investments have an average effective interest rate of 2.6% (2003 – 2.9%) and an average remaining term to maturity of 96 days (2003 – 124 days). The Corporation's investment policy states that investments must meet minimum investment standards of R-1, as rated by a recognized credit rating service.

Holdings for any one issuer, other than the Government of Canada or a Canadian province, are limited to 5% of the market value of the combined short-term investment and bond portfolios.

Carrying amounts for short-term investments approximate fair value due to the immediate or short-term nature of these financial instruments.

(ii) Bonds and debentures:

The Corporation's investment policy states that the minimum quality standard for the purchase of bonds and debentures is BBB, as rated by a recognized credit rating service.

The Corporation's investment policy limits its holdings for any one issuer, other than the Government of Canada or a Canadian province, to 5% of the market value of the combined bond and short-term investment portfolios. The holdings for any one province are limited to 25% of the market value of the bond portfolio.

The carrying value and average effective interest rates are shown in the following chart by contractual maturity. Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties. The carrying values are essentially the same as the principal values and therefore the average effective rates are not materially different from the coupon rates. Interest is generally payable on a semi-annual basis.

Term to maturity (years)	2004 Carrying Value	2004 Average Effective Rates	2003 Carrying Value	2003 Average Effective Rates
	(thousands of $)			
Government of Canada:				
One or less	$ 50	6.5%	$ 52	6.5%
After one through five	30,996	4.5%	19,272	4.3%
After five	14,523	4.7%	18,717	5.3%
Canadian provincial:				
After one through five	10,047	5.1%	6,922	5.8%
After five	5,944	5.7%	7,975	5.8%
Canadian corporate:				
After one through five	13,590	4.8%	9,402	5.1%
After five	5,967	5.2%	5,594	5.7%
Total bonds and debentures	$ 81,117		$ 67,934	

For bonds and debentures, the fair values are considered to approximate quoted market values on recognized stock exchanges, based on the latest bid prices.

(iii) Preferred shares:

Preferred shares have no fixed maturity dates and are generally not exposed to interest rate risk. Dividends are generally declared on an annual basis. The average effective rate is 4.3% (2003 – 4.6%).

The Corporation's investment policy limits its investment in preferred shares to issues rated Pfd-2 or higher.

The fair value of preferred shares are considered to approximate quoted market values on recognized stock exchanges, based on the latest bid prices.

(iv) Common shares:

Common shares have no fixed maturity dates and are generally not exposed to interest rate risk. Dividends are generally declared on an annual basis. The average effective rate is 3.9% (2003 – 3.8%).

The fair value of common shares are considered to approximate quoted market values on recognized stock exchanges, based on the latest bid prices.

(v) Investments accounted for on the equity basis:

The Corporation has a 25% ownership in three companies consisting of Charlie Cooke Insurance Agency Ltd., Atlantic Adjusting & Appraisals Ltd. and Maritime Finance & Acceptance Corporation.

The fair value of investments accounted for on the equity basis is considered to approximate book value.

6. PROPERTY, PLANT AND EQUIPMENT

The components of the Corporation's investment in property, plant and equipment, as well as the related accumulated amortization, are as follows:

	2004			2003
	(thousands of $)			
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer hardware, software and other equipment	$ 815	$ 759	$ 56	$ 82

Amortization for the year is $46,000 (2003 - $103,000).

7. UNDERWRITING POLICY AND REINSURANCE CEDED

The Corporation underwrites and reinsures contracts of insurance with SGI CANADA and other reinsurers, which limits the liability of the Corporation to a maximum amount of $150,000 on any one loss, and $250,000 on any one catastrophe.

The following table sets out the amount by which reinsurance ceded has reduced the premiums earned, claims incurred, commissions and administrative expenses:

	2004	2003
	(thousands of $)	
Premiums earned	$ 4,944	$ 4,575
Claims incurred	14,953	7,788
Commissions and premium taxes	326	242
Administrative expenses	47	45

8. PROVISION FOR UNPAID CLAIMS

(i) Nature of unpaid claims:

The establishment of the provision for unpaid claims is based on known facts and interpretation of circumstances and is therefore a complex process influenced by a large variety of factors. Measurement of the provision is uncertain due to claims that are not reported to the Corporation at the year-end date and therefore estimates are made as to the value of these claims. As well, uncertainty exists for reported claims that have not been settled, as all the necessary information may not be available at the statement of financial position date.

Factors used to estimate the provision include: the Corporation's experience with similar cases, historical trends involving claim payments, the characteristics of the class of business, claim severity and claim frequency such as those caused by natural disasters, the effect of inflation on future claims, court decisions and economic conditions. Time is also a critical factor in determining the provision, since the longer it takes to settle and pay a claim the more variable the ultimate settlement amount will be. Accordingly, short-tail claims such as property claims tend to be more reasonably predictable than long-tail claims such as liability claims.

As a result, the establishment of the provision for unpaid claims relies on a number of factors and on the judgment and opinions of a large number of individuals, which necessarily involves risk that the actual results may differ materially from the estimates.

Through its subsidiary, the Corporation settles some long-term disability claims by purchasing structured settlements from various financial institutions. As part of the settlement, the Corporation provides a financial guarantee to claimants in the event the institutions default on scheduled payments. The net present value of these expected payments as of the statement of financial position date total $1,780,000 (2003 - $676,000).

Changes in the estimate for the provision for unpaid claims are as follows:

	2004	2003
	(thousands of $)	
Net unpaid claims – beginning of year	$ 56,967	$ 50,517
Provision for self-insured retention	(1,275)	(1,285)
Payments made during the year relating to prior year claims	(14,489)	(16,353)
Deficiency relating to prior year estimated unpaid claims	2,250	2,141
Net unpaid for claims of prior years	43,453	35,020
Provision for claims occurring in the current year	23,303	21,947
Net unpaid claims – end of year	$ 66,756	$ 56,967

The fair value of the provision for unpaid claims and unpaid claims recoverable from reinsurers has been omitted because it is not practicable to determine fair value with sufficient reliability.

(ii) Type of unpaid claims:

The provision for unpaid claims is summarized by line of business as follows:

	2004			2003		
	(thousands of $)					
	Gross	Reinsurance Recoverable	Net	Gross	Reinsurance Recoverable	Net
Automobile	$ 89,030	$ 29,730	$ 59,300	$ 70,400	$ 18,244	$ 52,156
Property	4,474	778	3,696	3,232	638	2,594
Liability	5,167	1,407	3,760	3,843	1,626	2,217
Total	$ 98,671	$ 31,915	$ 66,756	$ 77,475	$ 20,508	$ 56,967

9. INVESTMENT EARNINGS

The components of investment earnings are as follows:

	2004	2003
	(thousands of $)	
Income from interest	$ 3,319	$ 3,102
Realized gain on sale of investments	1,975	1,954
Income from premium financing	737	482
Income from investments accounted for on the equity basis	168	174
Income from dividends	24	124
Investment writedowns	–	(35)
Total investment earnings	$ 6,223	$ 5,801

Investment writedowns relate to Canadian common shares.

10. INCOME TAX

The Corporation's provision for income taxes is as follows:

	2004	2003
	(thousands of $)	
Current	$ 1,116	$ 143
Future	102	478
Total income taxes	$ 1,218	$ 621

Income tax expense differs from the amount that would be computed by applying the federal and provincial statutory income tax rates to income before income taxes. The reasons for the differences are as follows:

	2004	2003
	(thousands of $)	
Net income before income taxes	$ 4,341	$ 2,078
Combined federal and provincial tax rate	37.62%	40.12%
Computed tax expense based on combined rate	$ 1,633	$ 834
Increase (decrease) resulting from:		
Investment earnings not subject to taxation	(85)	(48)
Adjustment to future tax assets and liabilities for enacted changes in tax laws and rates	–	1,040
Valuation allowance	(283)	(1,218)
Other	(47)	13
Total income taxes	$ 1,218	$ 621

The components of future income tax balances are as follows:

	2004	2003
	(thousands of $)	
Future income tax assets		
Tax loss carryforward	$ –	$ 7,970
Provision for unpaid claims	9,404	1,522
Unearned premiums	3,889	–
Other	35	46
	13,328	9,538
Less: valuation allowance	(8,075)	(8,358)
Total future income tax assets	5,253	1,180
Future income tax liabilities		
Bonds and debentures	1,103	604
Unpaid claims recoverable from reinsurers	3,482	403
Reinsurers' share of unearned premiums	597	–
Total future income tax liabilities	5,182	1,007
Net future income taxes	$ 71	$ 173

11. SHARE CAPITAL

The Corporation is authorized to issue an unlimited number of common shares and an unlimited number of non-voting first preferred shares. At the end of 2004 there are 6,155,616 (2003 - 6,155,616) common shares issued.

12. CHANGE IN NON-CASH OPERATING ITEMS

The change in non-cash operating items is comprised of the following:

	2004	2003
	(thousands of $)	
Accounts receivable	$ 640	$ 5,927
Deferred policy acquisition costs	(290)	(1,076)
Reinsurers' share of unearned premiums	(140)	(1,200)
Unpaid claims recoverable from reinsurers	(11,407)	(3,141)
Accounts payable	402	993
Premium taxes payable	(200)	90
Amounts due to reinsurers	128	2,018
Unearned reinsurance commissions	7	42
Unearned premiums	722	(4,536)
Provision for unpaid claims	21,196	9,591
	$ 11,058	$ 8,708

13. FAIR VALUE

The fair value of financial assets and liabilities, other than investments (note 5), unpaid claims and unpaid claims recoverable from reinsurers (note 8) approximate fair value due to their immediate or short-term nature.

14. RELATED PARTY TRANSACTIONS

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. Transactions and amounts outstanding at year end are as follows:

Category	2004	2003
	(thousands of $)	
Investments	$ 1,210	$ 1,192
Accounts receivable	7	5
Investment earnings	90	74

SGI CANADA provides management and administrative services to the Corporation as well as being one of its reinsurers (note 7). Administrative and claim adjusting expenses incurred by SGI CANADA and charged to the Corporation were $2,147,000 (2003 - $573,000) and accounts payable are $427,000 (2003 accounts receivable - $744,000).

The Corporation has direct premiums that are brokered through Charlie Cooke Insurance Agency Ltd., pays claim adjusting fees to Atlantic Adjusting & Appraisals Ltd. and has premiums financed for policyholders by Maritime Finance & Acceptance Corporation. These companies are affiliated with the minority shareholder of ICPEI, who is a member of ICPEI's senior management. The policies written and the claim adjusting expenses paid are routine operating transactions in the normal course of business. Transactions and amounts outstanding at year end are as follows:

Category	2004	2003
	(thousands of $)	
Accounts receivable	$ 497	$ 644
Accounts payable	50	60
Premiums written	8,748	9,848
Commissions paid	1,213	1,328
Claims incurred	435	426
Premiums financed	3,444	3,885

In 2003, the Corporation entered into an agreement with SGI CANADA through its subsidiary Coachman, whereby SGI CANADA would transfer to Coachman, net amounts recoverable after Dec. 31, 2002 on reinsurance for adverse loss development on Coachman losses occurring prior to April 30, 2001. Coachman will reimburse SGI CANADA for any costs it may incur under the reinsurance contract. At Dec. 31, 2004, $2,293,000 (2003 - $1,945,000) was accrued under this reinsurance policy and has reduced claims incurred.

Other related party transactions are disclosed separately in the notes to the financial statements.

15. FACILITY ASSOCIATION

Through its subsidiaries, the Corporation is a participant in various automobile risk sharing pools in Ontario and Prince Edward Island, whereby companies in the industry share resources to provide insurance coverage to high risk insureds.

Facility Association transactions recorded in the Corporation's financial results are as follows:

	2004	2003
	(thousands of $)	
Gross premiums written	$ 2,340	$ 4,341
Net premiums earned	$ 3,048	$ 3,231
Claims incurred	1,236	3,594
Commissions	126	253
Premium taxes	100	103
Administrative expenses	406	472
Total claims and expenses	1,868	4,422
Underwriting profit (loss)	1,180	(1,191)
Investment earnings	182	128
Net income (loss)	$ 1,362	$ (1,063)
Facility Association receivable	$ 4,915	$ 4,512
Unearned premiums	982	1,687
Provision for unpaid claims	4,187	4,512

16. SEGMENTED INFORMATION

The Corporation's operating segments are managed as separate legal entities, with the performance of each entity reported separately to the Corporation's Board.

The Corporation's operating segments sell property and casualty insurance in various jurisdictions as follows:
(i) SGI CANADA Insurance Services Ltd. (SCISL) in Manitoba;
(ii) Coachman Insurance Company (Coachman) in Ontario; and
(iii) The Insurance Company of Prince Edward Island (ICPEI) in Prince Edward Island and New Brunswick.

2004	SCISL	Coachman	ICPEI	Inter-company Eliminations	Total
			(thousands of $)		
Gross premiums written	$ 14,763	$ 32,475	$ 8,920	$ (2,576)	$ 53,582
Net premiums earned	$ 10,493	$ 27,866	$ 8,849	$ –	$ 47,208
Claims incurred	5,612	24,542	5,533	–	35,687
Other expenses	4,339	7,103	1,961	–	13,403
Underwriting profit (loss)	542	(3,779)	1,355	–	(1,882)
Investment earnings	1,186	4,333	704	–	6,223
	1,728	554	2,059	–	4,341
Income taxes	580	(128)	766	–	1,218
Non-controlling interest	–	–	–	322	322
Net income	$ 1,148	$ 682	$ 1,293	$ (322)	$ 2,801
Total assets	$ 28,919	$ 111,257	$ 25,483	$ (7,137)	$ 158,522
Shareholder's equity	$ 8,482	$ 11,150	$ 6,258	$ (1,236)	$ 24,654

2003	SCISL	Coachman	ICPEI	Inter-company Eliminations	Total
			(thousands of $)		
Gross premiums written	$ 13,609	$ 24,294	$ 9,848	$ (2,417)	$ 45,334
Net premiums earned	$ 9,124	$ 28,432	$ 8,873	$ –	$ 46,429
Claims incurred	5,555	24,979	6,193	–	36,727
Other expenses	3,594	7,598	2,237	(4)	13,425
Underwriting profit (loss)	(25)	(4,145)	443	4	(3,723)
Investment earnings	698	4,466	664	(27)	5,801
	673	321	1,107	(23)	2,078
Income taxes	198	–	423	–	621
Non-controlling interest	–	–	–	170	170
Net income	$ 475	$ 321	$ 684	$ (193)	$ 1,287
Total assets	$ 20,147	$ 87,694	$ 22,288	$ (1,161)	$ 128,968
Shareholder's equity	$ 7,263	$ 10,468	$ 5,035	$ (913)	$ 21,853

17. COMMITMENTS

The Corporation's subsidiary, Coachman, has a lease for its office premises expiring Dec. 31, 2008 at an annual rent of $180,000.

18. COMPARATIVE FINANCIAL INFORMATION

For comparative purposes, certain 2003 balances have been reclassified to conform to 2004 financial statement presentation.

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